

Message Text

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ACTION XMB-04

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FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 OPIC-06

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FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 4087

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E.O. 11652: N/A

TAGS: EFIN, ENRG, BM

SUBJ: BURMA - ELECTRIC POWER CORPORATION

REF: STATE 197626

BEGIN SUMMARY: THIS CABLE PROVIDES THE REQUESTED INFORMATION ON THE SIZE, OWNERSHIP AND FINANCES OF THE ELECTRIC POWER CORPORATION. SHOULD FURTHER SPECIFIC INFORMATION BE NEEDED, THE EMBASSY WILL MAKE EVERY EFFORT TO PROVIDE IT. END SUMMARY.

1. THE ELECTRIC POWER CORPORATION (EPC) IS A GOVERNMENT-OWNED ENTERPRISE SUPERVISED BY THE MINISTRY OF INDUSTRY II. THE CORPORATION WAS ESTABLISHED IN 1972 IN ACCORDANCE WITH A GOVERNMENT DECREE, TAKING OVER THE FUNCTIONS, ASSETS, LIABILITIES AND POWERS OF THE FORMER ELECTRICITY SUPPLY BOARD. ACCORDING TO AN OFFICIAL GUB NOTIFICATION, EPC IS RESPONSIBLE FOR THE INSTALLATION OF NEW ELECTRIC POWER STATIONS, POWER LINES AND SUBSTATIONS, AND FOR THE SYSTEMATIC CONSOLIDATION, EXTENSION, REMOVAL AND RECONDITIONING OF THE EXISTING POWER SUPPLY SYSTEM AND FOR THE IMPLEMENTATION OF SCHEMES WITH A VIEW TO DEVELOPING ELECTRIC POWER. IN THE PAS ALL REVENUES OF EPC WERE CREDITED TO THE GOVERNMENT WHILE EXPENDITURES WERE MET FROM THE GOVERNMENT'S

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APPROPRIATIONS. SALARIES AND WAGE POLICIES OF EPC ARE PRESCRIBED BY THE GOVERNMENT.

2. THE MANAGING DIRECTOR OF EPC HAS RESPONSIBILITY FOR THE OVERALL MANAGEMENT OF THE CORPORATION UNDER THE DIRECTION OF THE MINISTER OF INDUSTRY II. HE IS ASSISTED BY THE EPC ADVISORY BOARD WHICH CONSISTS OF A CHAIRMAN, SEVEN MEMBERS

AND A SECRETARY. THE MANAGING DIRECTOR SERVES AS CHAIRMAN OF THE BOARD.

3. EPC HAS A HEAD OFFICE AT RANGOON AND 14 REGIONAL OFFICES LOCATED IN THE VARIOUS STATES AND DIVISIONS. THERE ARE FOUR DEPARTMENTS AT THE HEAD OFFICE, ENGINEERING, FINANCE, ADMINISTRATION AND STORES. THE HEAD OF EACH DEPARTMENT REPORTS DIRECTLY TO THE MANAGING DIRECTOR. THE HEADS OF THE REGIONAL OFFICES ALSO REPORT TO THE MANAGING DIRECTOR AND ARE RESPONSIBLE FOR THE MANAGEMENT OF ELECTRIC UTILITY SERVICES IN THEIR RESPECTIVE REGIONS, INCLUDING OPERATION OF MINOR GENERATING STATIONS, SUBSTATIONS, LOCAL DISTRIBUTION FACILITIES AND BILL COLLECTIONS.

4. EPC HAS AROUND 16,000 EMPLOYEES, ABOUT 14,000 OF WHOM ARE PERMANENT EMPLOYEES. THERE ARE ABOUT 600 OFFICERS WITH AROUND 400 ASSIGNED TO THE HEAD OFFICE AND 200 IN THE REGIONAL AND OTHER FIELD OFFICES. THE MANAGEMENT, SENIOR TECHNICAL AND ADMINISTRATIVE STAFFS HAVE RELATIVELY GOOD TRAINING AND ARE CONSIDERED COMPETENT BY BURMESE STANDARDS. EPC'S OVERALL MANAGEMENT IS GENERALLY EFFICIENT WHEN COMPARED WITH OTHER STATE ECONOMIC ENTERPRISES (SEE'S) IN BURMA. HOWEVER, AS WITH OTHER SEE'S, THE CORPORATION SUFFERS FROM RIGID GOVERNMENT CONTROL OF ITS PRICING, PERSONNEL, FINANCIAL AND MANAGEMENT POLICIES, E.G. CHANGES IN RATES ARE SUBJECT TO THE REVIEW AND APPROVAL OF EPC'S ADVISORY

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BOARD, THE MINISTRY OF INDUSTRY II, THE CABINET AND FINALLY, THE STATE COUNCIL. FURTHER, TOO MUCH POWER AND TOO MANY FUNCTIONS HAVE BEEN CONCENTRATED IN THE HANDS OF MANAGING DIRECTOR WITH TOO LITTLE DELEGATION OF AUTHORITY OR RESPONSIBILITY.

5. EPC OWNS AND OPERATES ABOUT 388 MW OF GENERATING FACILITIES, 751 MILES OF 66/132/1230 KV TRANSMISSION LINES AND 332 MILES OF DISTRIBUTION NETWORKS UP TO 33 KV.

SUMMARY OF EPC'S FACILITIES

A. GENERATING FACILITIES

PLANT	NO. OF PLANTS	INSTALLED CAPACITY (MW)
HYDRO	2	168.5
THERMAL	2	60.0
GAS TURBINE	2	103.5
DIESEL	-	56.0
TOTAL	6	388.0

B. SUBSTATIONS

VOLTAGE	NO. OF SUBSTATIONS	INSTALLED CAPACITY (MW)
230 KV	2	153
132 KV	3	91
66 KV	-	-
TOTAL	5	244

C. TRANSMISSION LINES

VOLTAGE	TYPE OF LINE	LINE LENGTH (MILES)
230 KV	OVERHEAD	250
132 KV	OVERHEAD	360
66 KV	OVERHEAD	141
	TOTAL	751

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6. UNITS GENERATED BY EPC FOR THE YEAR 1976-77 (APRIL-MARCH)
AMOUNTED TO NEARLY 850 MILLION KILOWATT HOURS, AN INCREASE
OF ABOUT FIVE PERCENT OVER THE PREVIOUS YEAR. HOWEVER, UNITS
SOLD DECLINED CONSIDERABLY.

ELECTRIC POWER GENERATED AND SOLD BY EPC

	UNITS GENERATED (MILLION KWH)	UNITS SOLD (MILLION KWH)
1973-74	332.52	254.77
1974-75	682.42	608.98
1975-76	810.60	712.48
1976-77	849.70	568.70

7. EPC'S BALANCE SHEET AND INCOME STATEMENT FOR 1975, THE
LATEST PERIOD FOR WHICH THIS INFORMATION IS AVAILABLE,
ARE AS FOLLOWS:

BALANCE SHEET (IN MISSION KYATS)

NET FIXED ASSETS IN OPERATION	452.40
CONSTRUCTION WORK IN PROGRESS	87.61
TOTAL FIXED ASSETS	540.01

CURRENT ASSETS	156.03
TOTAL ASSETS	696.04
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CAPITAL	563.77
LONG-TERM DEBTS (NET)	84.03
CURRENT LIABILITIES	48.24
TOTAL LIABILITIES AND CAPITAL	696.04

CURRENT RATIO (CURRENT ASSETS DIVIDED BY CURRENT LIABILITIES)	3.2:1
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DEBT/EQUITY RATIO (RATIO OF LONG-TERM DEBT TO CAPITAL)	13:87
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INCOME STATEMENT (IN MILLION KYATS)

OPERATING REVENUES	121.80
TOTAL OPERATING EXPENSES	104.34
OPERATING INCOME	17.46
NON-OPERATING INCOME	1.23
GROSS INCOME	18.69
LESS INTEREST PURCHASE	1.67
NET INCOME BEFORE INCOME TAX	
LESS INCOME TAX	8.51
NET INCOME	8.51

OPERATING RATION (OPERATING EXPENSES DIVIDED BY OPERATING REVENUES)	86.0
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RATE BASE (AVERAGE OF NEW FIXED ASSETS IN OPERATION)	397.38
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RETURN ON RATE BASE (OPERATING INCOME DIVIDED BY RATE BASE)	4.4
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PROJECTED NET INCOME 1977-1982 (IN MISSION KYATS)
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1977 8.71
1978 11.35

1979 26.65
1980 32.09
1981 28.72
1982 27.53

8. THE CORPORATION'S DEBT SERVICE RATIO (INCOME GENERATED FROM OPERATIONS AFTER INCOME TAX DIVIDED BY DEBT SERVICE) FOR 1976 IS STIMATED AT 4.06, AND IT IS EXPECTED TO REMAIN AT ROUGHLY THIS SAME LEVEL THROUGH 1982. THE SELF-FINANCING RATIO (INCOME GENERATED FROM OPERATIONS AFTER INCOME TAX LESS DEBT SERVICE DIVIDED BY CAPITAL EXPENDITURES) FOR THE SAME YEAR IS ESTIMATED AT 0.29, AND IT IS EXPECTED TO AVERAGE 0.21 THROUGH 1982.

9. IN 1973 THE ASIAN DEVELOPMENT BANK (ADB) EXTENDED THE GUB A LOAN OF \$6.1 MILLION (\$4.0 MILLION FROM SPECIAL FUND AND \$2.1 MILLION FROM ORDINARY RESOURCES) TO FINANCE A POWER TRANSMISSION PROJECT. IN 1975 THE ADB APPROVED AN ADDITIONAL \$6.1 MILLION FROM ITS SPECIAL FUND TO MEET COST OVERRUNS OF THE PROJECT. THE GUB RELOANED THE MONEY TO EPC AT SIX PERCENT WITH A 25-YEAR REPAYMENT PERIOD. FROM 1976 TO 1982 FINANCIAL PROJECTIONS SHOW THE ADB LOAN AS THE ONLY NEW EXTERNAL SOURCE OF FINANCING OTHER THAN GOVERNMENT SOURCES. HOWEVER, PRIOR TO 1976 EPC HAD TAKEN EXTERNAL FINANCING FROM THE FOLLOWING FOREIGN SOURCES:

- 1) OVERSEAS ECONOMIC COOPERATION FUND (OECD), JAPAN;
- 2) JOHN BROWN ENGINEERING LTD. UK (SUPPLIERS CREDIT);
- 3) HITACHI LTD., JAPAN (SUPPLIERS CREDIT);
- 4) INVEST IMPORT, YUGOSLAVIA; AND
- 5) SAKAI IRON WORKS CO., JAPAN (SUPPLIERS CREDIT)

10. AS REGARDS ENERGY RESOURCES, BURMA HAS HYDRO POTENTIAL, NATURAL GAS AND PETROLEUM. HOWEVER, THE PETROLEUM PRODUCED IN BURMA IS CONSIDERED TOO LIGHT FOR STEAM TURBINE OPERATION.

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IT IS UNLIKELY THAT ADDITIONAL HYDRO PROJECTS WILL BE COMPLETED BEFORE THE LATE 1980'S AND THEY ARE COSTLY. THEREFORE, EPC HOPES TO EXPAND GAS TURBINE GENERATION BECAUSE OF THE LOWER CONSTRUCTION COSTS AND SHORTER CONSTRUCTION PERIOD.

1. LACKING FURTHER INFORMATION ON THE U.S. SUPPLIERS AND TURBINES INVOLVED, WE HAVE AS YET BEEN UNABLE TO PINPOINT THE EXACT LOCATION OR USE OF THE TURBINES IN QUESTION.

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HOWEVER, EPC IS CONSIDERING THE FOLLOWING GAS TURBINE
PROJECTS AND WE ASSUME THAT THE EQUIPMENT WOULD BE
USED IN ONE OR MORE OF THESE PROJECTS:

1) NATURAL GAS TURBINE POWER STATION PROJECT
LOCATION: MANN OIL FIELD

OBJECTIVE: TO GENERATE ELECTRIC ENERGY FOR MANN OIL FIELD,
MINBU AND MALUN AREAS UTILIZING NATURAL GAS AVAILABLE AT
MANN OIL FIELD.

PRESENT PLANS CALL FOR TWO 16400 KW INDUSTRIAL TYPE GAS
GENERATING SETS WITH AUXILIARY EQUIPMENT.

2) NATURAL GAS TURBINE POWER STATION PROJECT
LOCATION PROME

OBJECTIVE: TO GENERATE ELECTRIC ENERGY BY UTILIZING NATURAL
GAS AVAILABLE AT PROME RANGE OIL FIELD.

PRESENT PLANS CALL FOR ONE 8000 KW INDUSTRIAL TYPE GAS TURBINE
GENERATING SET WITH AUXILIARY EQUIPMENT.

3) KYUNCHAUNG NATURAL GAS TURBINE POWER STATION EXTENSION
PROJECT
LOCATION: KYUNCHAUNG

OBJECTIVE: TO INCREASE EXISTING CAPACITY OF THE STATION BY
ADDING ONE GAS TURBINE GENERATING SET.

PRESENT PLANS CALL FOR ONE NUMBER 18, 100 KW INDUSTRIAL GAS
TURBINE GENERATING SET WITH AUXILIARY EQUIPMENT SUCH AS GAS
AND DISTILLATE OIL HANDLING SYSTEMS.

4) MYANAUNG NATURAL GAS TURBINE POWER STATION EXTENSION
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PROJECT

LOCATION: MYANAUNG

OBJECTIVE: TO ADD THREE MORE GAS TURBINE GENERATING SETS
TO EXISTING CAPACITY.

PRESENT PALS CALL FOR THREE 16400 KW INDUSTRIAL TYPE GAS

TURBINE GENERATING SETS WITH AUXILIARIES.
WE HOPE TO DEVELOP FURTHER INFORMATION ON THE SPECIFIC
PROJECTS IN THE NEAR FUTURE WHICH WILL BE SENT IN A FOLLOW-UP
MESSAGE.

12. WE ASSUME THAT THE GUB WOULD GUARANTEE ANY LOAN EXTENDED
TO THE EPC, AND THE EMBASSY PERCEIVES NO OBJECTION POLITICAL
OR OTHERWISE TO THE FAVORABLE CONSIDERATION OF THIS REQUEST.
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Message Attributes

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Review Release Event: n/a
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Review Withdrawn Fields: n/a
SAS ID: 1468069
Secure: OPEN
Status: NATIVE
Subject: BURMA - ELECTRIC POWER CORPORATION
TAGS: EFIN, ENRG, BM
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/20d35b52-c288-dd11-92da-001cc4696bcc
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